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GAIN Report

Global Agricultural Information Network

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FTA Effect on Korean Retail Prices

Report Categories:

Country/Regional FTA's

Approved By:

Kevin N. Smith

Prepared By:

Tae Jung Ha / Yong Keun Ban / Mark A. Myers

Report Highlights:

Korean retail prices for many imported fruits remain high even after FTA tariff reductions.

General Information:

Many Korean consumers associate high priced products with high quality. However, passage of Korean free trade agreements (FTAs) with major countries raised expectations of lower prices on imported products, especially on frequently consumed goods.

According to recent research by a non-governmental organization, Consumers Korea, prices of imported goods from countries covered under FTAs with Korea, nine types of imported fruits were selling for a higher price in Seoul compared to other cities in the world. One example is cherries imported from the United States after the implementation of the Korea – US (KORUS) FTA which took effect in March 2012.

Table 1. Price and Volume of Imported Cherries, 2012~2014

Cherries (0809.290000) Imports from the United States					
	06/2012	06/2013	06/2014	Average	Change rate
Import volume (MT)	2,872	3,004	4,739	3,538.33	65%
Import value (\$1000)	27,913	31,845	43,351	34,369.67	55%
Price per kg (\$1)	9.72	10.60	9.15	9.82	-6%
Retail price (KRW)/kg.	12,500	19,400	17,800	16,566.67	42%
Exchange rate (USD-KRW)	1,163.53	1,136.34	1,018.90	1,106.26	-12%
Import price (KRW)/kg.	11,308.36	12,046.19	9,320.60	10,891.72	-18%

*Source: Korean Customs, Consumers Korea

Although Korean consumers expected to pay less to purchase imported fruits with 0% tariff after the KORUS FTA that went into effect, the retail price of cherries went up by 42% whereas the import price dropped 18% compared to 2012.

An official from Consumers Korea said that Korea needs to improve its distribution structure so that consumers can benefit from the lower import prices resulting from the FTA.

Noting the research, a senior Korean government official said that consumers' rational purchase activities will stabilize the price, rather than price control schemes by the government.

Table 2. Price and Volume of Imported Grapes, 2012~2014

Grapes (0806.100000) Total Imports								
	2009	2010	2011	2012	2013	2014	Average	Change Rate
Import volume (MT)	28,437	34,964	45,189	54,192	58,743	59,253	57,396.00	108%
Import value (\$1000)	57,112	84,127	114,760	138,685	176,798	189,489	168,324.00	232%
Price per kg (USD)	2.01	2.41	2.54	2.56	3.01	3.20	2.92	59%
Retail price (KRW)/kg.	5,969	7,167	7,450	8,273	7,952	7,197	7,334.67	21%
Exchange rate (USD-KRW)	1159	1120	1159	1063	1045	1088	1105.67	-6%
Import price (KRW)/kg.	2,327.70	2,694.84	2,943.35	2,720.37	3,145.12	3,479.39	2,885.13	49%

*Source: Korean Customs, Consumers Korea, aT KAMIS

Fortunately, there is a positive example for Korean consumers. The retail price of grapes showed an increase of only 21% compared to an increase of 49% in the import price over a 6 year period, which showed a more favorable trend than for cherries.

Consumers tend to believe that a product is more valuable if its price is high. As individual consumers become more discerning and wait for prices to come down before buying and refrain from impulse buying or buying because it is simply trendy, as well as an improved distribution system where the Korean government is trying to cut marketing costs by reducing numerous middlemen, unreasonably high prices of imported products in Seoul may come down.